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Weekly Contributions

ONE, CIA

7 June 1949

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NORTHERN DIVISION: Panama's Partido del Pueblo has been recommended as an addition to the Attorney General's list of subversive organizations (p. 2).

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SOUTHERN DIVISION: Bolivia's recent labor crisis adversely affects certain US interests (p. 3).

SPECIAL SUBJECTS

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1. GENERAL: The declining support for the Latin American Communist Parties by their general membership, the poor financial position of the Parties, and their organizational weaknesses are illustrated by the postponement or neglect of Annual National Communist Party Congresses in many important Latin American countries. In Mexico, the last annual congress of the Communist Party was held in December 1947, and since then the Party has not been able to develop the necessary organization or to collect funds for another congress. Consideration of a Party congress has been dropped in Argentina as a result of dissension and possible Party reorganization. In Paraguay, the date of a national Communist congress has been postponed several times, and recently plans for it have not even been discussed, because the Party is unable to finance such a meeting. In Ecuador, the Party is making a concerted drive for funds to finance a national congress, but some doubt exists as to whether it will be successful. Likewise in Uruguay, the annual Party congress may not be held on schedule, if at all, since first several hundred thousand pesos for Party operating expenses as well as 50,000 pesos for the congress must be collected. The leaders of the Chilean Communist Party have postponed the national congress indefinitely, as a result of organizational and personal rifts within the Party. In Peru and Brazil strict police surveillance has limited the Communists to small clandestine meetings and they can give no thought to holding national congresses. [] estimates that Latin American Communist Parties will continue to exhibit similar weaknesses during the next three months. As previous Communist Party congresses have served to renew interest and activity of members and adherents, to correct organizational deficiencies, and to provide a sounding-board for anti-capitalist and anti-US propaganda, inability to hold these congresses is a favorable development for US security interests in the area. It is unlikely that the present situation will change significantly during the next three months.

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- ✓ 2. PANAMA: Anti-Communist Action Proposed for US
US Ambassador Davis has recommended to the Secretary of State that the Partido del Pueblo, the Communist Party of Panama, be placed on the Attorney General's list of subversive organizations. According to the Ambassador, 40 People's Party members were employed by the US Government in the Canal Zone last year and at least six of these were in sensitive positions. The Ambassador believes that "high officials of the Panamanian Government would be gratified" by such action on the part of the US. [] estimates that many Panamanians will probably be displeased by such action and regard it as an infringement on Panamanian sovereignty. [] estimates that the common cause the nationalists and anti-American elements might make with the Communists in deploring such action would be harmful to US security interests in

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the area. It would tend to assist local Communists in cloaking their true intent with propaganda on behalf of nationalism and other themes of more general appeal than economic determinism and the class struggle.

3. VENEZUELA: Changes in the Venezuelan cabinet announced on 3 June appear to have no great political significance. The appointment of Manuel Agaña to replace Pedro Aguerrevere as Minister of Pomento is reported to be a purely administrative measure pending reorganization of the Ministry. Ambassador Donnelly says Aguerrevere will return to the cabinet in July as Minister of Mines and Petroleum. The junta, apparently dissatisfied with the manner in which Rubén Corredor has been handling syndicate problems, has appointed as Minister of Labor José Rojas Contreras, a moderate Socialist. The appointment of Capt. Oscar Lazzei as Minister of Communications released from this post Colonel Jorge Marcano, who has been named Ambassador to the US. The latter change is probably the most significant from the point of view of US interests, since Marcano was Air Attaché in Washington for three years, and is believed to be extremely pro-US.

4. BOLIVIA: Significance of the Bolivian Crisis

The government's survival is in itself favorable for US security interests, in that the danger of a Bolivian regime definitely hostile to the US has been avoided. The administration, having survived its most serious crisis to date, is stronger, and has improved its chances of maintaining itself for some time to come. The ten days of violence and strikes, however, have had an adverse effect on US interests by reducing tin production. Furthermore, US officials are immediately concerned by the detention of US mine officials at Colquiri and a recent anti-US demonstration staged outside the embassy by PIR students. A matter of future concern, both to the Bolivian Government and to the US, is the possibility (illustrated in recent disorders) of collaboration between rightists and Communist-led leftists.

The government's success -- prevention of a general strike and termination of all labor disorders by agreement with the workers except in the tin mines where both management and labor insist on additional guarantees -- seems due primarily to the loyalty of the army and to a split within the PIR. The army was able to contain a wave of violence that began on 23 May when MNR-led miners struck in protest against the deportation of their leaders. The PIR, although some of its unions joined in sympathy strikes, did not give complete cooperation, as its leaders were reportedly divided between those that felt that their labor following could be maintained only by backing the MNR and others that feared that the MNR, once in power, would destroy the PIR. The belated attempt (5 June) by MNR exiles in Argentina to attack the Bolivian border town of Villazón -- followed by a counter-attack by the army -- indicates that there was little correlation of MNR efforts

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Prospects for the future, however, are not particularly favorable. Bolivia will lose at least one month's production of tin, the most important export and major source of governmental revenues, thus aggravating the economic dislocation already existing. Political and labor unrest continue with no indication, as yet, that the quarrelsome centrist parties have been chastened by the country's near escape from a possibly bloody civil war or a prolonged period of chaos. Nor is there any indication that the MNR's failure to overthrow the government will delay for long its attempt to try it again. On the whole, however, the government's survival, though it does not solve any of its basic problems, gives it a breathing spell in which it may consolidate the tactical victory it has won over the MNR, its most formidable opponent.

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The Current Situation in Peru

(Summary: The situation as to US security interests has improved. Peru's government is slightly stronger; the military junta maintains effective control of the country despite existing disaffection. The economic situation, however, remains substantially unimproved. Communism is not a serious problem, and Peru's relations with its neighbors have improved, though they still leave much to be desired. In recent UN negotiations, Peru took an important and independent part; its delegates usually follow the lead of the U.S.)

The Peruvian situation has become more favorable for US security interests during the past three months (see Wkly, 8 Mar 49). Although the Odría regime has done little to bring about a return to democratic processes and has made no significant progress in solving economic problems, the situation at this time is more favorable to the US: the stability of the regime has been improved; tension between Peru and its neighbors has been reduced, thus favoring the US interest in Hemisphere solidarity; and the outlook for US participation in petroleum development is somewhat brighter as a result of a growing awareness of the need for foreign capital to develop Peruvian oil resources.

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The military junta, which assumed power on 30 October, appears to have been unified by a reorganization on 1 June by which General Odría's control over it was increased. Colonel Llosa, an ambitious rival, was replaced as Minister of Development. Both Llosa and his arch-enemy, Admiral Saldías, were out of the country when the reorganization took place. As Saldías has been retained as Minister of Marine while another naval officer has become Foreign Minister, it is possible that the junta's future course may reflect more of Saldías' pro-US orientation than it has to date. The junta's labor backing has been increased slightly by the cooperation of a dissident Communist group led by Luna. The regime has continued the state of siege and other efforts to control the Apristas, increasing them when an alleged Aprista plot was discovered on 23 April. Although it is more likely that the plot was by dissident non-Apristas in the police and the army, the incident was used to justify increased control measures. Despite the obvious Aprista threat and the less obvious danger from other dissident elements, Odría's control over the country is effective and can be maintained as long as he can command the support of key figures in the armed forces.

Since army leaders comprise the junta that is in complete control of the government, the army has become a political as well as a military power. This increased political importance has stimulated rivalries and

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dissension within army ranks, thus lessening its military effectiveness. Dissatisfaction within the army (as well as in the navy, and National Police) has been controlled by rigid repressive measures as well as by increased appropriations. Army pay increases became effective 1 April. As the military is the one power which keeps the present junta in power, its loyalty and unity are the key to the government's stability.

Peru's rather serious economic predicament has not been significantly relieved since the junta took over. The removal of price controls on a progressively wider range of products and the quotations of prices in terms of the free-market exchange rate (instead of the unrealistic official rate) has resulted in increased costs and greater inflation. Recurrent food shortages, typical of the present state of the Peruvian economy, are again evident. The dormant state of petroleum exploration has caused a growing public realization that foreign capital will be needed to revive and extend the industry. This development could favor the prospects for future US participation in the development of Peruvian oil resources.

Communism, never very strong in Peru, where it has been overshadowed by Aprismo, has undergone no significant change recently. The Party, outlawed by the previous regime, is still technically suppressed, though there are many indications that the present government has attempted to enlist Communist cooperation in its fight against the Apristas. The junta apparently fears Communism less than Aprismo, and feels that the Communists might be used to eliminate Aprista control of organized labor. Only a dissident wing of Peruvian Communism has decided to cooperate with the regime. Although both groups of Communists have made some labor gains, they are not enough to make Communism a serious concern to US security interests in the area within the foreseeable future.

Peru's relations with other Latin American countries have improved, but are still far from satisfactory. The ILO's consideration of a resolution condemning the Peruvian Government's attitude toward labor unions is quite representative of the opinion held by many American republics regarding the present regime. Peru's relations with Colombia -- the least satisfactory of its relations with any country three months ago -- were improved when both countries agreed to submit the Haya case to the International Court of Justice. Peruvian-Bolivian relations continue to be satisfactory.

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Peru's most recent significant role, however, was in the UN, where it actively supported the general assembly resolution favoring Spain, and took the lead in efforts to recover for Italy its pre-war colonies.